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AmeriHealth

A message to *Business Office Managers*

Memo No. 09-08

TO: AmeriHealth participating hospitals

FROM: Linda Paterson
Senior Director, Provider Network Services

DATE: September 19, 2008

SUBJECT: OBSERVATION SERVICES WHEN BILLED WITH OUTPATIENT SERVICES

AmeriHealth is sending this bulletin to clarify its reimbursement policy for observation services when billed in combination with other outpatient services, as specified in your hospital contract.

In accordance with your hospital contract, the Observation Fee Schedule includes all implants, biologicals, equipment, supplies, drugs, and ancillary services provided to the beneficiary during the visit or procedure, including the professional components of Laboratory and Radiology.

When billed with outpatient surgical and/or emergency services, observation services are reimbursed as follows:

- **Observation services billed with outpatient surgery.** Outpatient surgical services are reimbursed according to the contract; observation services are *not* separately reimbursed.
- **Observation services billed with an emergency room (ER) visit.** ER and observation services are both reimbursed according to the contract.
- **Observation services billed with an ER visit and outpatient surgery.** Outpatient surgical and ER services are both reimbursed according to the contract; however, observation services are *not* separately reimbursed.

As noted above, the Observation Fee Schedule is inclusive of all ancillary services and therefore not separately reimbursed in any of the three scenarios above.

Observation services must be billed with revenue code 762, plus the appropriate number of units the patient spent in observation (one unit per hour). Reimbursement for observation services shall not exceed the lesser of 24 hours or the contracted observation maximum (typically the medical/surgical per diem rate).

In the past you may have been inadvertently paid for services that should not have been separately reimbursed. Please note that we will be enforcing our reimbursement policy for observation services as set forth in your hospital contract and as clarified above.

If you have any questions or would like to discuss the content of this bulletin, please contact your Network Coordinator. Thank you for your participation in our network and for the delivery of quality care to our members.